



TRANSITION GUIDE TO CITY EMPLOYMENT FOR SCHOOL DISTRICT PERSONNEL

The City of San Antonio is committed to successfully transitioning school district personnel who join the Pre-K 4 SA team. To this end, several documents have been developed to explain common questions that may come up in the following areas:

- Texas Municipal Retirement System (TMRS)
- Teacher Retirement System of Texas (TRS)
- Social Security Benefits and the Impact on Teacher Retirement System of Texas

Should you need additional information, please contact hrcustomerservice@sanantonio.gov

TEXAS MUNICIPAL RETIREMENT SYSTEM AND TEACHER RETIREMENT SYSTEM OF TEXAS

All Pre-K 4 SA staff will be City of San Antonio employees. As such, they will be eligible to contribute to the Texas Municipal Retirement System (TMRS). Although there is reciprocity with TMRS and the Teacher Retirement System of Texas (TRS), Pre-K 4 SA employees will not be eligible for TRS. This document will help explain some of the key differences and how reciprocity between the two pension systems works.

1. What is the Teacher Retirement System of Texas (TRS)?

TRS is a formula-based defined benefit retirement plan for Texas public education employees. TRS members contribute 6.4% of their salary; the state contributes 6.4% of the member's salary; employee and state deposits are held by the system and earn 5% interest annually.

- Retiree's lifetime benefit based on:

Average annual salary for the 5 highest years of service*

x

2.3% for each yr of credited service

- TRS members vest in five years and may retire at age 65 with 5 years of service or age 60, whenever the member's age and years of service total at least 80

**Members who are grandfathered (TIERS 1 and 4) have their standard annuity calculated using the average of their highest three annual salaries.*

2. What is the Texas Municipal Retirement System (TMRS)?

TMRS is a cash balance defined benefit plan funded by the contributions of its members, its member cities, and earnings from investment of those deposits. TMRS members contribute 6% of their salary; City of San Antonio contributes 12%. TMRS members vest in five years and may retire after 20 years of service at any age or 60 years of age with at least five (5) years of service.

3. **What are the key differences between TRS and TMRS?**

TRS provides a benefit based on a multiplier times your years of service and salary, whereas TMRS provides a benefit based on the actual dollars the employee and the employer contribute and the investment earnings made on those contributions.

4. **What if I am currently a TRS member? How does reciprocity with TRS and TMRS work?**

An employee can use time from TRS to meet the retirement eligibility with TMRS and their time with TMRS to meet retirement eligibility with TRS. For example, if a City employee has four years of service credit with TRS and begins employment with the City of San Antonio, they will only need to attain one year of service credit with TMRS to become vested.

A TRS member beginning employment with the City of San Antonio may elect one of the following options:

- If the TRS member begins employment with the City of San Antonio and retains their TRS funds with TRS, the funds will continue to earn 5% interest annually if the employee notifies TRS of the employment with TMRS and service credit will be maintained.
- If the TRS member begins employment with the City of San Antonio and rolls the funds over to a separate retirement account, such as a 457, the employee will become inactive with TRS and service credit will be lost.
- If the TRS member begins employment with the City of San Antonio and personally collects a refund from TRS, the employee will become inactive with TRS, service credit will be lost, and the refund will be subject to IRS tax.

SOCIAL SECURITY BENEFITS AND IMPACT ON TEACHER RETIREMENT SYSTEM OF TEXAS

Unlike in most Texas school districts, City of San Antonio employees contribute to Social Security. If you are employed with the City of San Antonio, you will be eligible for Social Security benefits upon retirement. While enrollment in TRS does not prevent you from collecting benefits, Social Security can affect your TRS benefits.

1. Will my eligibility for a TRS pension prevent me from collecting Social Security benefits?

No. However, all employees eligible for a government pension such as that provided by TRS who are also eligible for Social Security benefits are subject to two offset rules that can reduce the amount of Social Security benefits they are eligible to receive.

The **Government Pension Offset (GPO)** will affect you if you are eligible for a spousal or widow/er Social Security benefit.

The **Windfall Elimination Provision (WEP)** will affect you if you are eligible for a Social Security pension either from previous employment that paid only into Social Security or from employment in a district that pays into both TRS and Social Security. (Most Texas school districts do not pay into Social Security.)

2. Which Social Security benefits am I eligible to receive?

To be eligible for a Social Security pension benefit, you must be at least 62 years old and have a minimum of 40 Social Security credits. A credit is equal to a designated amount of earnings that increases from year to year based on national earnings averages. For example, employees received one credit for every \$1,050 of earnings on which they paid Social Security taxes in 2008. Since an employee can earn a maximum of four credits per year, you must have worked in a job in which you paid Social Security taxes for at least 10 years or 40 quarters to meet Social Security eligibility requirements.

However, if your spouse is eligible for a Social Security pension, you might be eligible for a spousal or widow/er benefit. Typically, spousal benefits are equal to 37 percent to 50 percent of the spouse's Social Security benefit and are paid to the dependent spouse while the other spouse is still living. Widow/er benefits are usually equal to 71 percent to 100 percent of the spouse's benefit and are paid to the dependent spouse after the other spouse's death. Eligibility is based on age and the number of years married to a qualified spouse. Contact your local Social Security office for complete information on which benefits you are eligible to receive.

3. Why does the GPO affect Texas educators?

Social Security spousal and widow/er benefits were created to provide security for people dependent on their spouses. They provide the spouse who does not work with some Social Security benefits based on the other spouse's Social Security earnings.

However, if both spouses worked and are eligible for their own individual Social Security pensions, one spouse could still file for a spousal or widow/er benefit even though he or she is not dependent on the other spouse. This is known as dual entitlement. To prevent dual entitlement, the government implemented rules that reduce the amount of spousal or widow/er benefits a person can receive by the amount of his or her own Social Security pension benefit. These dual entitlement rules prevent double dipping, or receiving both a Social Security pension benefit and a spousal or widow/er benefit.

However, some government employees, such as Texas educators, work in jobs that pay into government pension programs (such as TRS) rather than Social Security. Because these employees have little or no Social Security-covered employment, it appears that they are dependent on their spouses when in reality they are not. This situation allowed these employees to apply for spousal Social Security benefits without being subject to dual entitlement rules. The GPO was designed to mirror dual entitlement rules and prevent people eligible for a government pension (such as a TRS pension) from receiving a benefit created only for dependent spouses.

Exemption: As of July 1, 2004, House Resolution (HR) 743 stipulates that employees who work in a position covered by both Social Security and the government pension system for the last five years before retiring are exempt from the GPO. HR 743 also includes a transitional rule that would allow educators with previous employment in an entity that paid into both Social Security and TRS to count that time toward the five years required to gain exemption from the GPO.

4. How does the WEP work?

The WEP affects Social Security benefits for people who are eligible for both Social Security and government pensions (such as TRS) by modifying the formula used to calculate their Social Security benefit.

The standard formula for figuring Social Security benefits averages a person's pre-retirement earnings by dividing total pre-retirement earnings by 35 years, then dividing that amount by 12 to find the average monthly earnings (AME). The formula then multiplies the first \$761 of the AME by 90 percent. The next \$4,586 of the AME is multiplied by 32 percent, and the remaining amount of the AME is multiplied by 15 percent. The three amounts are then added together to determine a person's monthly annuity.

The WEP modifies this formula for employees who are eligible for a government (TRS) pension by multiplying the first \$761 of the AME by a smaller percentage that is based on the number of years the person paid Social Security taxes on substantial earnings (a designated amount adjusted yearly to reflect economic trends).

The percentage increases from 40 percent to 90 percent as an individual's years of substantial earnings increase from 20 years to 30. For example, a person who has paid Social Security taxes on substantial earnings for 20 or fewer years will have the first \$761 of his AME multiplied by 40 percent, whereas a person with 26 years of substantial earnings will have the first \$761 of his AME multiplied by 70 percent, and so on up to 30 years. Once a person reaches 30 years of substantial earnings he or she is restored to the full 90 percent multiplier and is no longer affected by the WEP.

5. I still have questions regarding Social Security and impact on TRS. Who should I contact?

For specific questions about your Social Security benefits, contact your local Social Security office or visit the Social Security Administration's website at www.ssa.gov for answers to many frequently asked questions.

Source: <http://www.atpe.org/advocacy/issues/socSec.asp>

Pre-K 4 SA Education Center Locations

